

Pseudo-marriages and Moral Hazards: Financial Incentives for a Military Marriage

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“It's an open secret at military bases across the country: Soldiers looking for contract marriages. On Craigslist you'll find dozens of ads, many so blatant that soldiers put the term right on the subject line, not even trying to hide it.” (Rossen et al., 2014).

INTRODUCTION

Since switching to an all-volunteer force (AVF) in 1973, the United States military has implemented generous programs, policies, and practices to support soldiers and their dependents. Numerous reasons contributed to explaining why the Department of Defense made these adjustments. First, the institution's embedded traditional values foster an environment that incentivizes the formation of families. Second, the Department of Defense has a practical need to attract and retain high quality soldiers. Third, the military recognizes that service members and their families endure substantial structural, psychological, and behavioral tensions which resulted in greater demands for governmental support.

In his “Theory of Moral Sentiments,” Adam Smith wrote: *“every individual... neither intends to promote the public interest, nor knows how much he is promoting it...intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention.”* (Smith, 1759: 184-5)

Unlike civilian society, which desires considerable career stability before receiving the income and security conducive to family formation, military marriages are forged within a uniquely government-subsidized environment. By granting soldiers instant access to such coveted stability, the government creates a moral hazard. Smith's 1759 observation of human nature helps explain why a moral hazard for military personnel exists; which encourages a disproportionate number of younger, lowered-ranked soldiers to rush into marriage.

In effect, soldiers who hastily form families act on their own self-interest to exploit the institutional benefits for their own short-run gain. This paper first explores the circumstances which prompted such lucrative benefits for military marriages, which have resulted in a moral hazard. Second, intended outcomes, such as improving recruitment, re-enlistment ratios, and boosting the quality of life for soldiers and their families are addressed. Third, this work examines the differences in North Carolina between a military community (Cumberland County) and a civilian community (Orange County). Last, this research reveals the unintended results for those who enter military marriages.

DISCUSSION: THE EVOLUTION OF MILITARY MARITAL AND FAMILY BENEFITS

Historically, the United States government discouraged and implicitly deterred young, enlisted active-duty personnel from forming families (McCubbin et al., 1978). Beginning in the 1960s, as a response to family advocacy efforts, federally-funded Family Centers or Family Readiness Groups (FRGs) offered social support to family members about issues such as deployment and moving (Clever et al., 2013:13-39). Ongoing grassroots initiatives by family members prompted the Department of Defense to continue to promote a stable, secure home life for its soldiers, the military gives families substantial material and social support (Stanley et al., 1990: 207-223) in the form of housing allowances, subsidized childcare, tuition assistance, comprehensive healthcare.

Four distinct circumstances transformed the military's benefits system, which coincided with proportional increases of personnel with dependents. First, in the 1980's, thriving macroeconomic conditions threatened recruitment and retention efforts of an-all voluntary force. In response, the Department of Defense expanded and created new dependent benefits and programs. A second stage, during the mid to late 1990's, the military again struggled competing for highly qualified personnel because of an abundance of lucrative civilian opportunities under a flourishing post-Cold War economy (Office of the Under Secretary of Defense, 2003; United States General Accounting Office, 2002) (Drummet et al., 2003: 279-287). According to Pexton and Maze, by 1995, lower-ranked enlisted personnel indirectly effectively paid an "unmarried status" penalty, if they ignored

the added incentives to marry (Pexton, et al., 1995: 11). Resulting warfare from the events of September 9, 2001, evoked a third stage of change, which nudged the military into providing further support for its soldiers' families (Clever, et al., 2013: 13-39). Finally, the Great Recession and its aftershocks (2007-present) functioned as a fourth event, which resulted in marked declines of workforce participation, contracting wages, increased job instability, and fewer highly desirable employment opportunities. Such dismal circumstances facing most civilians helped magnify and underscore the potential for military personnel benefits to create a moral hazard.

Recruitment and general macroeconomic concerns were not the government's only reasons for justifying the expansion of dependent benefits. First, the military's traditionalistic values implicitly encourage matrimony because marriage is perceived as promoting responsible relationships; these are believed to create and re-enforce community cohesion. Second, though soldiers typically earn more than civilians (with comparable education levels), they tend to work longer hours. Third, active duty personnel often have more inflexible and dramatically changing schedules than civilians. Fourth, soldiers are exposed to hazards that civilians rarely, if ever, experience. Fifth, benefits such as combat and hazard pay are meant to boost family morale and potential extra costs, (i.e., increased childcare costs), due to having an absent parent. Sixth, because of national security needs, soldiers move much more frequently and are often separated from their families for many months. Last, military benefits were intended to counteract horrendous stresses, most notably warfare, endured by these young adults.

The 2009 Census Survey on Marriage indicates that military families are formed earlier and more frequently compared to the general public. Unlike civilians who cautiously enter marriage because of private sector uncertainties, soldiers can marry with near-certain job security and superior benefits (See Table II). The *Raleigh News & Observer* also cites that marriages rates typically increase just before deployments because deployed military personnel earn extra income (Price, 2005). Consequently, the institution incentivizes earlier family formation, resulting in elevated fertility, pregnancy, and divorce rates. A moral hazard happens when increasing numbers of self-serving participants “game the system” with little or no regard to long-term, large-scale negative consequences. In this case, pseudo-marriages, marriages arranged for the primary purpose of obtaining marital benefits, are becoming more common (Price, 2005).

Pseudo-marriage agreements occur because both participants receive substantial benefits, which include healthcare, additional income, and housing allowances (see Table II). Though Rossen and Billington note that many military personnel know of people who have engaged in pseudo-marriages (Rossen, 2014), the private nature of marital relationships makes them hard to detect. Sometimes these arrangements consist of one old friend helping out another (Baker, 2016). Prior to legalizing homosexual marriages, some pseudo-marriages included a gay or lesbian person who may not have lived with the service member. Sometimes they live in different states. Often high school friends strike deals, particularly if they both seek something to gain (Irby, 2015).

Though the “Encyclopedia of Ethical Failure” cites a case involving six service

personnel who defrauded the government in a scheme involving marrying Russian women in exchange for drawing military benefits, the Department of Defense does not track how many soldiers are disciplined for arranging, or trying to arrange, pseudo-marriages (Rossen, 2014). The Army admittedly does little to police or detect such disingenuous deals, saying, “Marriage is a personal, private decision between adults, so the Army does not question a Soldier's marital decisions without cause (Rossen, 2014).”

Entering a marriage with disingenuous intentions does not necessarily doom it for failure. Though some may manipulate the system for short-term benefits, with an anticipated divorce later, an unexpected proportion will stay married and produce larger than average families (Clever et al., 2013: 13-39) despite such dishonorable intentions. Lundquist and Smith cite that divorce rates are actually lower for military men than their civilian counterparts, especially for Black and Hispanic men. Military benefits not only encourage, but also prolong marriages and increase the numbers of pseudo-marriages especially among junior enlisted personnel who proportionally receive the most benefits (according to 2014 compensation tables), as measured by purchasing power, if they marry each other or a civilian. Such evidence suggests that the institution may often ultimately manipulate the individual's behavior. Thus, institutional incentives are effective in keeping families intact.

MILITARY MARRIAGE INCENTIVES AMONG BLACKS AND OTHER MINORITIES

Meier and Allen note that enlisted military personnel frequently come from segments of society that are more likely

to engage in intimate-relationship practices such as cohabitation, early marriage, and teenage sexual activity which often lead to future financial and educational deficits. Often poor early adulthood decisions are detrimental because they limit access to early adulthood economic opportunities, which carry lasting negative consequences (Meier et al., 2008: 25-39).

Married Black men within the Army, according to Hosek and Wadsworth's analysis of the NLSY-79 data of enlisted active-duty soldiers, are more likely to remain married. They cited that the Army's "well-defined career ladder for Blacks" fully integrates them into leadership positions with role models. The positive work environment reduces stress associated with discrimination, while also promoting stable marriages. In "The Fragile Families and Child Wellbeing Study," Usdansky, London, and Wilmoth examined whether past military service affected the likelihood of men marrying within 5 years of a non-marital birth. Their logistic regression analyses showed that prior military service increased marriage odds by 54% for couples with Black fathers. However, veteran status for White or Hispanic fathers had no effect on couples. Consequently, their findings supported evidence that military service exerts lasting and unique pro-marriage effects on Blacks (Teachman et al., 2008: 1030-1044).

Incentives to remain in the military are also compelling. Blacks, Hispanics, Asians, and Pacific Islanders more frequently re-enlist than whites because they are likely to see their wages drop if they leave the military. According to the Military Leadership Diversity Commission, among personnel, men are more likely than women to re-enlist.

Among officers, Black and Hispanics are more likely than whites to re-enlist, even though they have lower promotion rates. Black women, are particularly affected by military benefits which also explains their overrepresentation; they comprise 46% of women in the Army, 22% in the Marines, 31% in the Navy, and 28% in the Air Force (Hosek et al., 2013: 41-59).

As mentioned previously, in recent decades, basic pay and housing allowances have substantially increased, resulting in military compensation exceeding civilian equivalent levels. Between 2000 and 2010, average regular compensation increases (adjusted for inflation) was 40% for enlisted members and 25% for officers while over this same time period, inflation-adjusted civilian pay fell by nearly 8%. For example, 23-27 year-old enlisted soldiers, with only high school diplomas had their weekly compensation grow from \$566 (2000) to \$771 (2009), placing a young soldier at the 80th percentile of their civilian counterparts. For Army officers (aged 28-32) with a bachelor's degree, their median weekly compensation went from \$1279 (2000) to \$1527 (2009), putting them at the 84th percentile of comparable civilian workers.

Since the military's relatively higher compensation is designed to lure highly qualified young adults away from civilian work, women and minorities might especially view enlistment as an attractive option because, as civilians, they generally earn less than their white male colleagues. In 2009, for example, (23-27 aged) woman with high school diplomas, working full-time, earned 83% of a white male's salary with the same attributes; black men earned 86%. However, military compensation tables for enlisted personnel and officers are the same, regardless of race and gender.

Table I illustrates a typical compensation package for an enlisted soldier and a junior officer. This table takes into account the tax advantage value of the three tax-exempt benefits listed. In many cases, military benefits may approach or exceed 50% of a soldier’s base pay. According to the National Defense Institute, active duty members and family

pay no premiums or fees to attain TRICARE while typical private-sector health insurance requires annual payments of many thousands of dollars. In 2013, for example, the Defense Department’s healthcare program cost \$48 billion. (Congressional Budget, 2012).

Table I: Total Estimated Compensation for Military Families, for 2013

<u>Location</u>	<u>Ft. Hood, Texas</u>	<u>Ft. Hood, Texas</u>
Rank	Sergeant	Captain
Years of Service	9	9
Household	spouse, 2 kids	spouse, 2 kids
Basic pay	\$2620	\$5189
Subsistence Allowance	\$325	\$224
Housing Allowance*	\$1017	\$1365
Tax Advantage	\$393	\$465
Annual Effective Income	\$52,263	\$86,915

*Housing allowances vary considerably, depending on local rates. For example, in 2015, Honolulu’s housing allowance was \$3400 a month.

Table II shows many more tax-exempt benefits. For enlisted personnel without college degrees, their total compensation allows them to enjoy middle and fourth quintile income levels, according to U.S. Census data, Family Income in 2014. This includes data from all ages. Younger people earn less, so their comparative compensation is much higher. For junior officers, given their younger age and less education, they are typically more so in the lower fourth quintile for income, if purchasing power after taxes are taken into account (U.S. Census data, Family Income in 2014).

cost dental and group life insurances, active duty soldiers get 30 days of paid annual vacation (Hosek et al., 2013: 41-59) and also “special leave” for deployment, morale, convalescence, maternity, paternity, adoption, and emergency unpaid leave. While in transit, moving and per diem allowances are given (Hosek et al., 2013: 41-59). If deployed, service members receive additional pay in many forms, including a combat zone tax exclusion, hostile fire pay, hardship duty pay (\$100/month for Afghanistan), and a family separation allowance (often \$250/month). For example, a Marine corporal (E4) with dependents, may make an additional \$1000/month. Last, soldiers also frequently receive enlistment and reenlistment bonuses.

The military offers benefits for nearly every facet of family life. Table II provides a categorized list of benefits connected to a military marriage. Aside from receiving free medical and very low

Table II: Military Marriage Incentives for Spouses/Dependents

Income

- o Higher Prevailing Wages Comparable to Civilian Counterparts
- o Higher Wage Increases Comparable to Civilian Counterparts
- o BAS (Basic Allowance for Subsistence), others living on spouse's income

Housing

- o BAH (basic allowance for housing)
- o Relocation/Moving Costs
- o VA Loans

Insurance

- o Tricare Health Insurance
 - No copayment, no deductible, no cost prescription
- o Tricare Dental Insurance
 - o Only \$10/month (\$120/year) for spouse and dependents
 - Covers dental checkups, 80% of advanced dental needs
 - No copays, no deductibles
- o Group Life Insurance
- o Emergency Relief

Deployment

- Separation Pay (Family Separation Allowance), if spouse is deployed
- Combat Pay
- Hazard Pay
- Per Diem Benefits

On-Base Facilities

- o On-base stores (deeply discounted groceries, fuel, household goods, electronics, etc.)
- o On-base recreational facilities
- o Child & Youth Services
- o Military Welfare & Recreation (MWR)

Occupational Development Benefits

- o Childcare costs (based on family income)
 - Subsidizes cost at approved off-base locations
- o Employment Readiness Program
- o Military Spouse Employment Program

Education Benefits

- o Scholarships, Grants
- o Special student loans
- o In-State tuition rates (for non-resident service members)
- o Tuition waivers
- o Spouse Education Relief Act
- o Child Development Centers
- o DoDEA
- o Dependent Children Education Program
- o Fry Scholarship (GI Bill for dependents/survivors)

The allure of obtaining military goes beyond the time of service. Post-military life serves as a valuable recruitment and

retention tool. After only 20 years, soldiers qualify for retirement and lifetime medical benefits (Hosek et al., 2013: 41-

59). Active-duty service members begin receiving these benefits once they leave the military. Retirement benefits equal roughly 50% of basic pay (for 20 years of service) and 75% after 30 years (Hosek et al., 2013:41-59). Last, newly discharged veterans can receive unemployment compensation (unemployment benefit levels vary by state) while they search for civilian jobs (Hosek et al., 2013:41-59).

MILITARY SPOUSAL DEPENDENCY

Spousal military benefits partially exist to offset adverse circumstances that increase their dependency upon their military spouse's income. Hosek and Wadsworth cite the American Community Survey (2005-11), which shows that female military spouses earn about 14% less than comparable civilian spouses (Hosek et al., 2013: 41-59). What factors negatively affect a military spouse's earnings? First, the demands of military duty mean that a soldier's spouse has less flexibility when it comes arranging their own work schedule. Second, though soldiers are paid well, frequent moves (Hosek et al., 2013:41-59) disrupt spouses' careers and create hardships in obtaining jobs that demand a large investment in training, or a long learning curve. Third, soldiers may have sudden, temporary shifts in duty involving changes in time and place of work that may force spouses to quit their jobs to care for their children (Clever et al., 2013: 13-39). Consequently, compared to civilians, more military spouses become unemployed or work part-time (Clever et al., 2013: 13-39). These factors that increase spousal dependency may also contribute to longer marriages, especially while one spouse remains in the military.

MILITARY MOTHERS

Though the overwhelmingly majority of military parents are fathers, Lundquist reports that more than 40% of active-duty females are mothers and 86% of married military women have military spouses. In 1999, Richter found that women (47%) are much more likely than men (28%) to exit the military prior to ending their enlistment terms. This happens largely because pregnant female enlistees can opt for an honorable discharge. Francke noted in 1997 that historically almost half of pregnant military women also are discharged after taking their 6-week maternity leave. Dietrich, in 1988, observed that female soldiers sometimes purposefully become pregnant to avoid deployments or undesirable assignments.

Regarding military marriage and women, marriages among female recruits are almost three times more likely to fail than their male counterparts (Eberstadt, 2010: 33-44). Lundquist and Smith note that joint military marriages compound the positive effects of family benefits because they effectively keep mothers married, and in the military; while single military mothers are more likely to get discharged. Since marriages among women who leave the military appear more likely to dissolve than those of civilians, they suggest "a loss of incentives that may have had a sustaining effect in the military context."

Though female employment is associated with lower fertility levels within the civilian world, family formation rates among military women are comparatively high (Lundquist et al., 2005: 1-13) (Holder, 2010). By using propensity score matching from the National Longitudinal Survey of Youth (which simultaneously measured marriage and fertility of both populations), Lundquist and Smith showed that earlier marriages among enlisted women ($N =$

3547) contributed to higher fertility rates than their civilian counterparts (Lundquist et al., 2005: 1-13). The military’s institutional and economic incentives such as subsidized childcare and spousal support initiatives offset contemporary social and economic factors that reduce civilian marriage and procreation. The military indirectly or directly subsidizes at least 23,000 workers who care for over 200,000 children. Since benefits cover any children involved in the marriage, the military effectively encourages spouses to have offspring and for someone with children to marry a soldier (see Table III, comparing civilian and military fertility rates).

MILITARY VS. CIVILIAN COMMUNITIES

Table III compares North Carolina Census Bureau demographic statistics of a military (Cumberland County, home of Fort Bragg)

and a civilian community (Orange County, home of the University of North Carolina at Chapel Hill). These counties were selected due to their large proportion of young adults and close proximity to each other.

When comparing Cumberland and Orange Counties, both heavily populated with young adults, there are remarkable differences. Differences between a heavily military-populated Cumberland and an overwhelmingly civilian university-populated Orange County are best explained by benefits received to defense personnel and their spouses and children. These benefits unintentionally incentivize increased military marriages as well as younger pregnancy and fertility rates. Though the proportion of high school graduates are similar (89.2 for Cumberland County to 91.2%), their four-year degree rates are quite different (22.7% for Cumberland Country to 55.8%).

Table III: Comparing Military and Civilian Populations

	<u>Orange</u>	<u>Cumberland County</u>
Median Family Income	\$84,770	\$51,944
Median Household Income	\$52,591	\$45,437
Divorce Rate	10	12
Never Married Rate	33	31
Unwed Mothers	38	32
Fertility Rate 18-19	7.5	72.1
Fertility Rate 20-24	14.6	133.4
Fertility Rate 25-29	57.7	122.8
Fertility Rate 30-34	98.7	88.8
Fertility Rate 35-44	35.0	23.1
High School Diploma	91.7	89.2
4-Year Degree	55.8	22.7

[See Chart One Age Population for Orange County).

Marriage and newborn children are commonly known obstacles for finishing one’s education. Lundquist and Smith observed that generally highly educated females, but not highly educated males, have

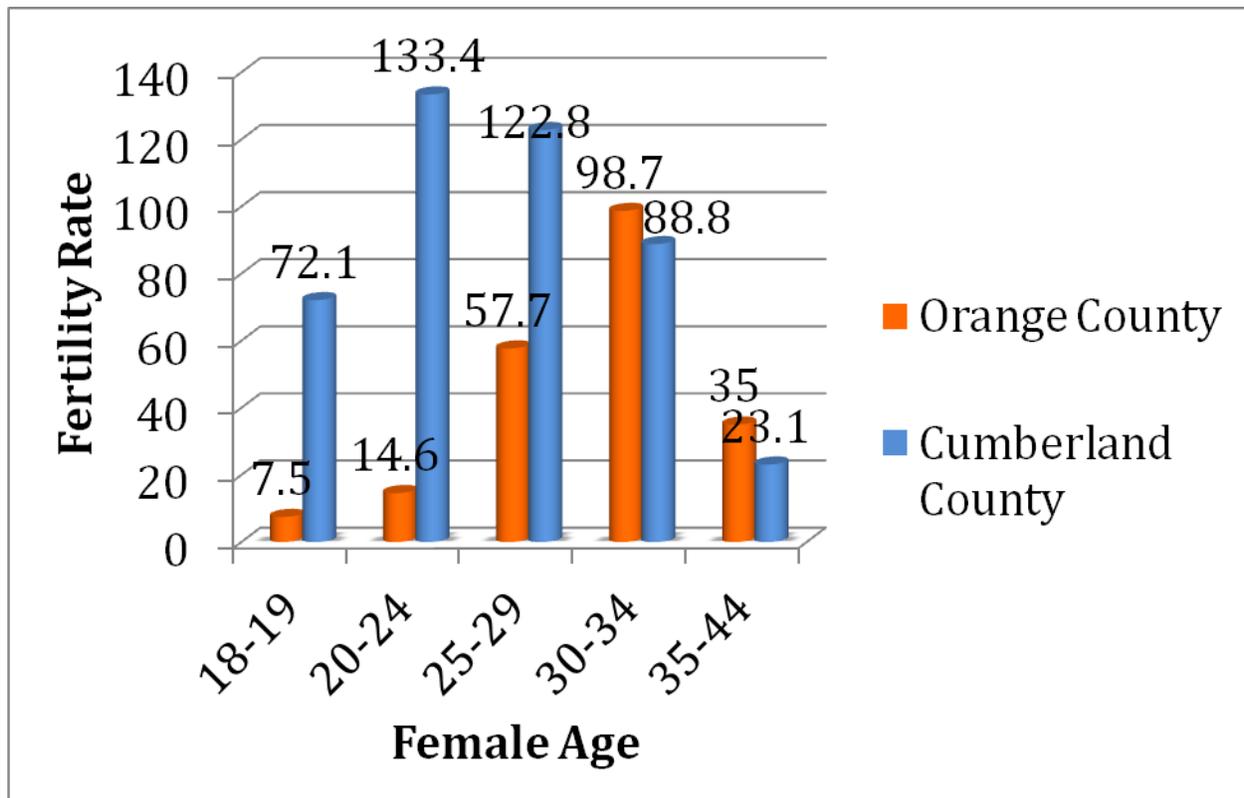
fewer children than intended than their less-educated counterparts. They cited that women who bear children after age 25 are much more likely to have fewer children than intended (compared to younger

mothers) (Morgan, 2003: 589-603). When examining Cumberland County's precipitous decline in college degree-earners, its higher fertility rate (for 20-24 year-olds, 133.4 per thousand, compared to 14.6) and higher marriage rate, as determined by its unwed mother rates (32 per 1000 for Cumberland County, compared to 38), helps explain much of this discrepancy.

Demographic differences greatly affect these counties' population statistics. For example, Cumberland County's Black population is nearly three times the national average. Also, given that the proportion of unwed Black mothers is more than double that of

whites and that Cumberland County's Black population is three times higher than the national average, it still has lower unwed mother rate. An unexpected result, despite its more numerous, younger marriages and much more youthful motherhood population, Cumberland County's Census data shows only a slightly higher divorce rate (12 per 1000 for Cumberland County, compared to 10). This finding supports the idea that military marriage benefits keep more people married despite factors that would otherwise increase the likelihood of divorce. Table IV illustrates the remarkable disparity between Orange and Cumberland County fertility rates.

Table IV: North Carolina: Orange and Cumberland Counties, Fertility Rates



CONCLUSION

The military wants a stable home life for their soldiers (Clever et al., 2013: 13-39)

and purposefully provides a plethora of programs and support mechanisms to re-enforce a kind of stability that enhances

one's psychological security and physical well-being that married home life traditionally offered. Soldiers, especially lower-ranked enlisted males, have strong incentives to quickly marry for the purpose of attaining benefits which greatly enhance their purchasing power and lifestyle (i.e., access to better quality, off-base housing). Consequently, fertility, pregnancy, abortion and marriage rates inevitably are higher than in a comparable civilian population such as those shown in the Cumberland and Orange County example. However, data indicates that a greater proportion of military marriages last longer, especially for Blacks and Hispanics compared to civilian counterparts. This result infers that though some people try gaming the system, the institution may effectively manipulate those disingenuous participants and achieve its intended results.

Though few restrictions exist to prevent military marriages, the prospect of losing benefits and enduring a typical unpleasant divorce process creates obstacles to leaving a marriage.

Today's military marriage offers enough incentives for disingenuous civilians, especially younger and less educated adults, to form pseudo-marriages. While a moral hazard for pseudo-marriages clearly exists, evidence shows that leaving a marriage with many benefits is more difficult than entering one. This dynamic effectively re-enforces the traditional values embedded within the institution.